

Funding surge is a path for Alabama to untax groceries, expand Medicaid

By Carol Gundlach, policy analyst | December 2021

Alabama's broken tax system usually starves our state of money to fund education, public health and other basic responsibilities adequately. But 2022 may be different. Record tax revenues and a surge of federal recovery dollars could allow lawmakers to address longstanding state needs and inequities – if they have the political courage:

- Tax revenues for our schools and universities went up more than 16% in 2021.
- Tax revenues for services not related to education grew more than 11% in 2021.
- Alabama still has more than \$1.6 billion in federal recovery funds that must be budgeted in 2022 and 2023, with more on the way.

Arise's proposed uses for federal recovery dollars can be found at alarise.org/rescueplan. Here are a few of our recommendations for budgeting state revenue increases:

- **Untax groceries.** Alabamians with low and moderate incomes already pay a disproportionate share of their income in state taxes. Ending or rebating the state grocery tax while protecting education funding would help them make ends meet.
- **Raise the income tax threshold.** Alabama should help people with low incomes by creating or increasing individual and child deductions or credits.
- **Expand Medicaid.** Federal recovery dollars can't be spent directly on expansion, but they can be spent on other needs. This will free up state money to expand Medicaid.
- **Make the criminal justice system more just.** Lawmakers should increase funding for reentry services and for alternatives to incarceration like specialized courts and community correction programs.

Bottom line

This year's budget landscape offers an opportunity to make Alabama better for generations to come. Thoughtful, transformative funding choices can bring that vision to life.